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PROPOSED WORK PROGRAMME ON INTERNATIONAL
ECONOMIC RELATIONS, ENVIRONMENT AND DEVELOPMENT

WCED/85/19

DRAFT WORK PROGRAMME

INTERNATIONAL ECONOMIC RELATIONS,
ENVIRONMENT AND DEVELOPMENT

Note by the Secretary General

1.0. Premises

1. In mapping its approach and deciding on the issues for its working agenda, the Commission has concluded that an examination of international economic relations from the perspective of environment and sustainable development is long overdue and could result in some useful and far-reaching proposals. There are well-founded reasons for this:
 - International economy is the major social mechanism which together with the biosphere effectively ties mankind, nations and the global environment into a socio-bio-physical system. Indeed, the concept of "Only one Earth" makes proper sense only if such comprehensive linkage is fully acknowledged.
 - International economy acts as a complementary system to the biosphere in diffusing undesirable environmental effects worldwide. Often, it is more effective and faster in this process, e.g. by bringing into distant corners of the globe hazardous chemical products and polluting technologies, or by helping propagate socio-economic causes of environmental degradation, such as given development styles. In many cases it is the very source which gives rise to certain conditions, processes and actions that have important consequences for the environment and sustainable development (e.g. energy demand, supply and pricing; instability of world commodity markets, monocultures and soil degradation).

- In the framework of international economic relations there have been a number of adjustments and responses to the evolving global environment/development situation (e.g. externalization of environmental impacts and costs via foreign investment, tariff and non-tariff trade barriers stemming from adoption of environmental standards).
 - The international economic order and the international economic situation play a dominant role in the domestic development process of developing countries, in shaping their patterns of development, their options and choices, and ipso facto in affecting their individual and collective environment/development situations and their perception of and capacity to respond to environmental issues.
 - Also, there are a number of specific effects on the environment in the Third World, both those having to do with the degradation of the natural resource base and those involving environmental pollution and hazards, which have a direct causal relationship to the international economy, its dominant structures, actors, functioning, history, and the developing countries' rank and position in this system and in the international division of labour.
 - The evolving global environment/development situation has important implications for the international economy, the two being linked in a series of multiple-feedback loops. Such problems as tropical deforestation or soil degradation in the Third World have obvious significance for international trade in commodities or for world food situation. Similarly, the progressive acidification of the environment in the North and the costly strategies that will be mounted by the industrialized countries to control stationary and mobile sources of air pollution will have notable effects on energy prices, energy efficiency, renewable energy resources, new technologies and industrial processes, etc., all of which represent important variables in international economic relations.
2. The Commission also had in mind the fact that the relationships between international economy, environment and sustainable development have not

been in the limelight of intergovernmental deliberations at the global level and that the analysis and review of the subject has not been adequate. It is important, however, that the international community, political leaders and public opinion be sensitized to and recognize the complex two-way linkages between international economic relations and the environment, as an important element for strategy, policy and decision-making, institutional responses and negotiations.

3. In the context of the Commission's work programme and deliberations, the issue of international economic relations, environment and development provides one of the important underlying linkages between various issues on its agenda (e.g. food security, energy, industry, forestry, technology) and plays an important role in how they will unfold. Likewise, it is one of the key elements in the consideration of the transcending themes identified by the Commission (e.g. interdependence, equity, sustainability, global security).
4. The problématique fits squarely within the Commission's choice of anticipatory and preventive strategies and approaches, and for dealing with the very sources and causes of problems. Furthermore, it provides a platform for an attempt to formulate an integrated/systems view of and a statement on the global environment-development relationships.
5. Finally, as concerns action, international economic relations subsume a series of access points where positive and/or corrective action with significant field effects can be undertaken (e.g. international commodity agreements, transfer of technology and development assistance, MNCs). Such actions can be recommended for implementation to the international community and can be subject to international negotiations and decision-making.

2.0. The background: issues, constraints, responses.

6. In broaching the subject matter the Commission will not be starting from a clean slate. The 1972 U.N. Stockholm Conference on the Human Environment provided the impulse for the initial attempt to frame the issues involved and to propose practical responses. The questions raised and proposals made in Stockholm continue to be relevant and to affect the perception of the subject matter.

7. The issues can be approached grosso modo from two basic perspectives, i.e. the impacts of international economic relations on environment, and vice versa, namely the impacts of the environmental situation on international economic relations. There is also a third, complementary perspective from which to consider the issues, that is, the impact of national economic/environmental policies, via the international economy as a transmission agent, on economic/environmental situations of other countries. This latter perspective assumes special importance in a world of different and unequally endowed countries, at different stages of development and in different geographical, climatic and ecological settings.
8. The UNCHE deliberations on this subject were influenced by developing countries' attitudes vis-a-vis the environmental problématique, common in those days, as primarily the "rich nations' worry", and generally as a luxury that did not concern them much at that stage of their development, which they could not afford, and which could interfere with their development process. As well, the deliberations were affected by the relatively limited knowledge and little experience available. The specific issues that were identified then could be grouped into 3 principal clusters, those dealing with trade, with development assistance, and with export of pollution.
9. Trade. The following topics commanded attention:
 - tariff and non-tariff barriers to trade arising out of national environmental policies and regulations;
 - higher prices of goods exported by industrialized countries, especially of manufacturers, which would come to incorporate the added costs of meeting domestic environmental policy requirements; and
 - high costs of environmentally sound technologies.
10. Development assistance. While it was generally accepted that development assistance institutions should reflect environmental considerations in their policies, fears were also expressed that this would result in a diversion of monies from the existing official development assistance flows to pay for environment-related activities and projects.

which were not considered as urgent in the context of their domestic development priorities by the recipient countries. Also, reservations were expressed on account of possible interferences in the domestic situations of developing countries by bilateral and multilateral donors of development assistance who would press for inclusion of costly environmental procedures and standards.

11. The issue of how to finance environment-related actions in the developing countries was raised in the context of the scarce domestic resources available which had to be distributed among many competing and urgent domestic needs, and what was perceived to be important additional costs which had to be borne in order to integrate environment considerations into the development process. At least two reasons were given why international funding should be provided. First, it was argued that in the context of global environmental interdependence, the international community had an interest and obligation in preventing environmental degradation and in promoting environmentally sound development in the Third World. It was also argued that the developed countries had used and continued to use the Third World environment and natural resource base disproportionately and in order to sustain their own economic growth and high per capita, often wasteful consumption, and that moreover they were contributing inordinately to the degradation of the global environment; on both accounts they had a responsibility to help the developing countries.
12. The principles of "additionality" and "compensation" were advanced by the developing countries to cover these issues. The first was meant as a basis for securing financial assistance for environment "additional" to the existing development assistance flows; the second was meant as a basis for obtaining financial compensation for environmental and economic damages resulting to developing countries from the environmental and economic policies of the North. Both principles gave rise to controversy and were in fact not agreed to by the developed countries. Also, realising the unfavourable outlook for adequate resources to become available through donor countries' generosity, independent/automatic financing schemes for obtaining the necessary funding internationally were proposed, e.g. taxation of the uses of global commons such as the seabed.

13. "Export" of pollution and environmental degradation. Considerable attention was devoted to the proposition that industries and capital would move from North to South in search of more permissive and less institutionalized settings, in order to avoid the costs of complying with the environmental norms and regulations in the industrialized countries. Among the developing countries there was some ambivalence on how to respond. While everybody in principle was strongly opposed to the transfer of environmental costs and effects from one country to another, some argued that the possible negative environmental effects of such industry and capital moves were an acceptable price to pay for diversification of local economies and for the the positive economic effects that this would have for the host countries. The discussions revealed the dilemma in the posture of developing countries and a potential bargaining weakness as concerns their environment in trying to attract foreign investment.
14. A lot of controversy resulted in Stockholm from the developing countries' argument that the international community, and especially the developed countries would do a lot for the environment in the Third World for which they claimed to care so much, by implementing the objectives and measures on the trade and development agenda and thus creating international economic conditions helpful to accelerating their development process. In advancing this argument, the developing countries had in fact tabled the need for explicit consideration of linkages between the environmental objectives in the Third World and the changes in the existing international economic order.
15. Though the Stockholm Conference did not yield a consensus on most of these issues, the first important step had been made in outlining the problems and possible approaches, and in identifying the positions and views of the countries.
16. In the post-Stockholm period the subject matter of international economic relations, environment and development did not gain sufficient prominence on the international development agenda. Moreover, there was no sustained, continuing analytical and policy effort to consider the issues from a global, integrated perspective, even though several attempts were

made in this direction (e.g. OECD, UNEP). The developing countries (or those in charge of their development policies and posture in international development fora) seemed in general to share the view that these were not issues of priority importance in comparison with other urgent matters on the already overloaded agenda of their negotiations with the North. Nor was it quite clear how most environment related problems could be treated in the framework of the existing approaches and negotiations, and the rationale guiding them. Thus, though general mention of problems was made and some basic elements were incorporated in the programme for the New International Economic Order and in the New International Development Strategy, not much concrete follow-up was made and the underlying themes and linkages raised during the Stockholm deliberations were not pursued or probed in depth.

17. As concerns the specific issues that were identified at UNCHE, they were to a given degree taken up by different organizations within the UN system, usually with the assistance from UNEP. Thus, for example, one could mention studies on NTBs, technologies and primary commodities carried in UNCTAD; the attempts of the multilateral development assistance institutions to reflect environmental concerns in their activities; the work by several UN organizations on export of hazardous products and substances; some clauses in the codes that were being negotiated on the transfer of technology and on the behaviour of multinational corporations, etc.
18. The period after Stockholm was dominated by the international economic crisis, and in particular the debt crisis, which affected especially the developing countries, seriously undermining their political, social and economic situations. Emerging environmental concerns were one of the casualties of the changing national situations and priorities. Moreover, the crisis exerted a series of negative effects on the environment itself. At least three important ways in which the crisis affected the environment/development situation in the developing countries could be mentioned:
 - Public finance (strained by servicing of foreign debt, loss of foreign markets on account of recession and protectionism in the North, and by relative stagnation of

official development assistance) simply could not come up with the resources needed for given environmental measures, even in those instances where everybody was fully agreed on the necessity for preemptive action and recognized that serious economic and social costs and environmental harm would be incurred if appropriate and timely pre-emptive action was not undertaken.

- The need to meet domestic and foreign obligations, especially the repayment of foreign debt through increased export earnings, resulted in short-term pressures and demands which had negative impacts on the natural resource base, implied serious costs for the society (both short and long-term), and in some instances could lead to undermining the very basis of sustainable development in given localities and regions.
- The unfavourable development situation, especially among those at the margins of the society and living at subsistence and poverty levels, exacerbated the environmental problems and pressures linked with poverty both in rural and in urban areas.

19. Paradoxically, the crisis which was having such negative environmental and related economic repercussions, also helped push these issues further into the background on the international development agenda, as the tail-end of a much larger problématique dominated by the standard items of international economic intercourse.
20. While the North-South dimension continued lacking a well-defined and integrated approach, the developed countries proceeded to carry out studies of relevance to their own situation and to negotiate and institutionalize responses to specific environmental issues in their mutual economic relations, (e.g. the efforts within OECD to regulate the export of hazardous chemicals and hazardous waste, to deal with externalization of environmental costs and trade imbalances on account of environmental standards through a Polluter Pays Principle, and to elaborate a framework for activities of MNCs). Their regional ventures were free of the controversial elements present at the world level; they faced similar environmental problems and they were a relatively homogeneous group in terms of environment and development characteristics.

21. If one were to abstract the main traits of the situation 15 years after Stockholm as concerns the issue of international economic relations, environment and development, then the following points could be made:
- On the whole, the North-South dimension of the problem appears to have been neglected at the intergovernmental level. The relevant data and analysis available were few and the overview of the situation in the field was rather tentative. Action was lacking, and the developing countries did not seem eager to press the issue.
 - Simultaneously, a lot was taking place in practice. Many of the issues that seemed remote and theoretical in 1972 were becoming a reality and everyday occurrence in many developing countries, ranging from uncontrolled importation of hazardous products to accepting foreign investment without adequate precautions for the local environment. Moreover, with notable assistance from the international economic crisis, many of the linkages between domestic environmental issues and the international economy became easier to see and demonstrate.
 - The progress made in the regional groupings of developed countries provided a model and experience of how to deal with some of these issues among advanced industrialized countries. At the same time, it created an unbalanced situation between developed and developing countries, which was favourable to a spillover and/or deliberate externalization of environmental costs from former to latter. In the absence of a multilateral response to this emerging situation, and the generally uncertain reaction of individual developing countries, the possibility of such externalization was made more real.
22. In concluding this background section, it can be said that the relevant issues that the Stockholm Conference attempted to grapple with almost 15 years ago have evolved sufficiently to make possible another, updated and future-oriented review, benefitting from the events and the practical experience that has accumulated in the intervening period. Indeed, the initiative by the Commission to consider the issue of

international economic relations, environment and development seems to come at an opportune moment.

3.0. Framing the WCED approach.

23. It needs to be recognized that in the time available to WCED to carry out its inquiry on international economic relations, environment and development is short, that the empirical evidence is not easily accessible and is often simply not available, the analyses are few and the relevant knowledge still relatively limited. The purpose of the Commission then will be essentially to carry a step further the process of knowledge, understanding and consensus build-up, to provide an updated reference base and to outline a framework which could serve for new initiatives, actions and future policy orientation in this complex subject matter.
24. In reviewing the issues which are listed below, the Commission should, in more general terms, try to accomplish the following:
 - to make specific proposals for action and for approaching given sets of problems;
 - to address cross-sectoral linkages and linkages between different levels of aggregation, and to use this as a basis to draw strategic, policy, operational and methodological conclusions;
 - to identify gaps in knowledge, action and institutional responses;
 - to fill gaps in knowledge and understanding where possible, and to suggest relevant study, action and follow-up; and
 - to identify progress and advances made as well as constraints on action, and to draw the necessary conclusions.
25. Possibly the most practical way to approach the complex subject would be to start from the existing formulations of the problem, to adhere to the standard categories on the international development agenda, and to draw from the work being undertaken on other issues on the agenda of WCED. Different strands would be pulled into a comprehensive policy options paper only towards the end of the process, at the synthesis stage, when the conclusions to be drawn from various inquiries and analyses become available.

26. With this approach in mind, the following topics are suggested for the first stage of the inquiry:

- a) Multinational Corporations and the Environment. MNCs are one of the principal actors in the ongoing global environmental play. The analysis of their behaviour and impacts in the field, as well as of the responses of governments and groups of governments to MNCs in their territories, ought to provide some useful insights into the emerging trends, the role of MNCs in exacerbating and/or helping solve local, national, regional and global environment-development problems, and could provide some answers to the thesis that in the absence effective policies in many developed and most developing countries, MNCs and private investment have been an important agent in globally distributing their own environmental costs and externalizing those of their home countries.
- b) International Trade and the Environment. Under this rubric, several important issues will require attention:
 - i) export/import of hazardous products and of hazardous waste have assumed prominence in the relations among developed countries, and between them and the developing countries;
 - ii) the differences in national environmental policies and environmental standards and their effects on patterns of international trade;
 - iii) tariff and non-tariff barriers stemming from environmental regulations;
 - iv) the role of international commodity trade and agreements; and
 - v) transfer of and access to environmentally sound technology.
- c) Development Assistance and the Environment. Some of the development assistance institutions have been making an effort to incorporate environment-development considerations into their lending and project support policies, and to evolve an institutional capacity to deal with this subject matter. Useful conclusions could be

drawn from their experience (e.g. as it concerns the real needs and what financing is available for their implementation, the responses and views of the developing countries, problems encountered, the effectiveness of the methods used, etc.). Some of the conclusions drawn from the above review could serve for re-examining the set of issues discussed in Stockholm around the principle of "additionality", including the question of how to finance international and national programmes aimed at fulfilling environment/development objectives and for maintaining the quality of the global environment.

27. The three clusters of issues identified above need to be accompanied with a review of some questions of a more general nature, which are of strategic relevance in the context of the Commission's mandate. These are the following:

- a) The Linkages. One of the important assays of the Commission will be to examine and illustrate some of the linkages between the environmental problems in the Third World and the structure and functioning of the current international economic order. These linkages are usually poorly understood, not admitted or overlooked in international deliberation and prescription on these subjects. The Commission itself has already expressed interest in the effects of IMF conditionality, and of the restrictions on access to markets of goods in which developing countries have a comparative advantage. It could also review linkages between such processes in the Third World as soil erosion and degradation, deforestation in general and the problem of firewood in particular, environmental diseases, desertification, food availability, population pressures on local ecosystems, urban poverty and decay, environmental pollution, inadequate institutional responses and powerlessness of local environmental machineries, etc., on the one hand, and the functioning and mechanisms of the international economy, on the other hand (e.g. role of private banks and investment, commodities exchanges, terms of trade, etc).
- b) Transnationalization Process. The transnationalization process diffuses patterns and systems of production and consumption around the globe, as well as

styles of life and aspirations. These play an important role in building up and extending inequities between and within nations, and in straining relationships between man, nature and resources and between contemporary society and the global environment.

- c) Asymmetries and interdependence. It has been expected that the global interdependence ushered in by the environmental problematique and consciousness would lead to new modes of co-operation between countries and greater global equity. Yet, today, it is evident that environmental issues are resulting in new types of asymmetries between countries, manifested in the global natural resource flows, pressures and uses of the global environment, externalization of environmental costs by the developed countries onto developing ones, "pollution havens", export of obsolete technologies, etc. This process is fostered, among other things, by the state of the world's economy, the pressures from within the industrialized countries, precarious domestic conditions of developing countries, their vulnerability to outside demands and wish to use "comparative environmental advantages" to attract foreign investment, conflicting domestic goals, different interest groups, absence of domestic policies and inadequate institutionalization, etc. The whole syndrome came to public view and is symbolised by the case of Bhopal.

28. The analysis of the general issues identified in the preceding paragraph, should also set the stage for a look at the role, place and evolution of the environment/development problématique in the framework of evolving international economic relations. If the present trends continue (e.g., the debt crisis, growing protectionism in the North, reduction of capital and development assistance flows to the South), serious consequences for the environment and natural resources base in the Third World can be anticipated in the decade of 1990's, with important global repercussions. Indeed, many serious long-term costs may have been incurred and degradation processes triggered by the international economic crisis and by the measures undertaken to respond to it.

29. It is in this overall context that the Commission will also have to address the question of the role and place of the environment/development objectives and issues in the broader effort to evolve new foundations, patterns and structures of international economic relations and to provide its own definition of "global economic and environmental interdependence".
30. In dealing with this set of issues, the Commission will have to devote some attention to the question of negotiability and to possible practical approaches of dealing with specific questions (e.g., bilateral negotiations, negotiations between specially interested countries, regional schemes, global agreements, domestic actions within given countries etc.,). The Commission will moreover have to consider the differences between countries and groups of countries, as well as within countries themselves (transnational constituencies), and the implications of this for evolving the strategies to cope with the problems.

4.0. The question of method and the timetable

31. As already noted, it is expected that the other work programmes within the Commission's workplan (i.e. industry, energy, food security, science and technology, international co-operation, global security including the role of militarization, etc.) will yield useful cross-references, materials, analyses and conclusions for the consideration of international economic relations, environment and development. In addition, it is planned;
- to establish close contacts with international organizations for the purpose of examination of specific topics and of their experience (e.g. UNCTAD, UNDP, World Bank, OECD); to commission studies and overviews from renowned experts and to submit such studies for comments of experts in different parts of the world and people of varied views and backgrounds (special efforts will be made to seek data and views from developing countries); and
 - to review individual country situations as a way to obtain useful indications and pointers for the Commission's deliberations.

32. The Commission will be engaging in and launching a process of discussion, iteration, learning and deepening of the understanding of the issues at stake, which are not devoid of controversy. It is hoped however, that the framework presented above, by its flexibility and scope, will make it possible for the Commission to work its way through all the issues that may interest it, and in the end to pronounce itself in a comprehensive way on this challenging subject matter.

33. As regards the timetable of work, the following is proposed:

I. June 1985. Submit draft work programme to Commission at its Oslo meeting for comments, amendments, approval; revise work programme.

II. June-October 1985. Initiate work programme; identify collaborating institutions; commission studies; establish contacts with governments, international organizations, institutes, universities, etc and identify their contributions; prepare inputs for the Bogota meeting of the Commission.

III. October 1985. Report to Commission on the status of activities, progress made, problems encountered; discuss given substantive issues at the meeting of the Commission and during NGO hearings.

IV. November 1985 - August 1986. Discuss issues at sessions of the Commission as needed; implement programme of work and begin preparations of a synthesis and of various policy options papers; report regularly to the Commission; consult with individual Commissioners; convene ad hoc expert groups as necessary;

V. September - December 1986. Synthesize findings and results of the work programme; finalize overall policy options paper; discuss and draft relevant sections of the final report at the meeting of Commission.